

RD AN No. 3562 (4287-B)
June 26, 2000

SUBJECT: Business and Industry Guaranteed Loan Program
Request from the Holder for Additional Interest Payment

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify and provide guidance on requests by the secondary market to pay interest where the processing time exceeds 90 days.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

The National Office has recently received several requests from various State Offices requesting concurrence to pay accrued interest beyond 90 days.

Form RD 4279-4, "Lender's Agreement," Section V., item C., states that: "If [the] Lender does not repurchase as provided by paragraph B, USDA will purchase from Holder the unpaid principal balance of the guaranteed portion herein together with accrued interest to date of repurchase, less Lender's servicing fee, within 30 days after written demand upon

EXPIRATION DATE:
May 31, 2001

FILING INSTRUCTIONS:
RD Instruction 4287-B

USDA from the Holder. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loan accruing after 90 days from the date of original demand letter of the Holder to the Lender requesting the repurchase." For guaranteed loans closed prior to December 23, 1996, the applicable Section is X. (Default), item D., of the Lender's Agreement (appendix B to 7 C.F.R. part 1980, subpart E), which governs the repurchase of the guaranteed portion by the Agency.

The Lender's Agreement is the controlling document used by the Agency to repurchase guaranteed loans. Specifically, it provides that the Loan Note Guarantee will not cover note interest to the holder accruing after 90 days from the date of the original demand letter from the holder to the lender requesting repurchase. The paragraph in question requires the holder to include the amount due, as well as unpaid principal and interest to date of demand, and interest subsequently accruing from the date of demand to the proposed payment date. Discrepancies between amounts claimed by the holder and information submitted by the lender must be resolved before payment and will suspend running time requirements. The time limits for payment of the claim are suspended until all documents needed by the Agency are received and reconciled with the lender. The Agency should not concur in a request by the holder to pay additional interest beyond the 90-day time limit set forth in the Lender's Agreement, except in rare cases where the delay is due to Agency error.

(Signed by William F Hagy III) for

DAYTON J. WATKINS
Administrator
Rural Business-Cooperative Service